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FISCAL IMPACT REPORT

ORIGINAL DATE 2/26/07

SPONSOR Steinborn LAST UPDATED _____ HB HJR 16

SHORT TITLE Veteran Organization Property Taxes CA SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	Indeterminate		Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

Relates to HB719

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA) (response to HB719)

Department of Veterans Services (DVS)

SUMMARY

Synopsis of Bill

House Joint Resolution 16 proposes a constitutional amendment to exempt veterans' organization property from property tax liability. The organization must be chartered by the US Congress and the property is that property used for events or by nonprofit community organizations or other veterans' organizations.

FISCAL IMPACT

Assuming each property is valued at \$250,000, the 175 veteran's organizations reported by the Department of Veterans Services that would qualify would own \$44 million in property. The taxable value is \$14.6 million and the liability would be approximately \$400 thousand statewide. If more of the organizations are in Bernalillo County, the impact could be much higher as Bernalillo County has a higher property tax rate.

Since most counties adjust the property tax rate according to their funding needs, any property tax exemption for one group of taxpayers has the effect of raising property tax rates for all other taxpayers.

SIGNIFICANT ISSUES

Department of Veterans Service:

Veteran Service Organizations exist to serve the local veteran community. These local posts are many times the only place that veterans can go to for information on local, state, and federal veterans' benefits. With the increase of young men and women returning from Operation Iraqi Freedom, the mission of these local posts are changing from a place to congregate and have a drink with fellow veterans, to an local outreach center for these veterans.

Department of Finance and Administration (DFA) – in response to HB 719:

Current assessments for these organizations would be excluded from the tax roles and property tax collection and distribution would be diminished. Fiscal impact would likely be spread throughout the state. NM counties, cities and schools will take the big hits on operating revenues. With voter-approved bond issues, the total debt service is divided by the current taxable value to get a debt rate. Thus, the effect of this bill on capital would be to shift burden from the veteran's organizations to the general public. The county that would probably take the hardest hit would be Bernalillo County, due to the fact that the county has the largest number of veterans' organizations headquarters.

This legislation exempts from property taxation the VFW, DAV, American Legion and AMVETS along with many smaller organizations chartered by the US Congress. In NM there are between 500 and 600 active chartered veterans' organizations. Out of the approximately 600 organizations, probably the majority rent out space to governments for events or to other community organizations. Since the bill does not quantify how much community or government use is necessary to qualify for the exemption, we must assume that every active chartered veteran's organization that owns property will qualify for this exemption.

OTHER SUBSTANTIVE ISSUES

DFA has questioned whether the exemption should apply to all veterans' organizations rather than just those chartered by Congress.

DFA reports that NM already is a low property tax state in comparison with other states and so the state needs to be careful in allowing exemptions from property tax.